

ORIGINAL

OPEN MEETING



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MEMORANDUM RECEIVED

2010 JAN -5 P 4: 53

Arizona Corporation Commission

DOCKETED

JAN - 5 2010

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: January 5, 2010

RE: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC - APPLICATION
FOR APPROVAL OF A NET METERING TARIFF (DOCKET NO. E-01575A-
09-0429)

DOCKETED BY	
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Background

On September 4, 2009, Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur Springs", "SSVEC", or "Co-op") filed an application for approval of a Net Metering Tariff along with its proposed 2010 REST Implementation Plan. Sulphur Springs amended its Net Metering Tariff filing on December 16, 2009. SSVEC's proposed Schedule NM is meant to comply with the Net Metering Rules which became effective May 23, 2009.

Net Metering allows electric utility consumers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power (i.e., co-generation).

Proposed Tariff

Sulphur Springs' proposed tariff would apply to customers with any type of on-site generation using resources allowed by the Net Metering Rules, and would work in conjunction with the rate schedule from which the customer currently takes service. The proposed tariff follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of excess customer generation.

Partial requirements service is necessary for customers such as Net Metering customers who provide either all or a portion of their own generation. If the self-generation supplies less than 100% of the customer's load, utility generation must be purchased for the remainder. Even if the customer's generation is sufficient to serve the full load, utility service is needed as back-up during maintenance or other outage circumstances of the customer's generation.

Sulphur Springs' Schedule NM would provide for power sales beyond what the customer's on-site facilities supply, as well as replacement power if the customer's facilities are not operating. Charges under the tariff would be priced pursuant to the customer's standard rate schedule otherwise applicable under full requirements service and thus avoid standby or back-up charges. Certain additional charges would be added as discussed below.

As the Rules require, if the customer's energy production exceeds the energy supplied by the Co-op during a billing period, the customer's bill for subsequent billing periods would be credited for the excess generation. That is, the excess kWh during the billing period would be used to reduce the kWh (not kW or kVA demand, or customer/facilities charges) billed by the Co-op during subsequent billing periods. Customers taking service under a time-of-use rate would receive such credit in the subsequent billing period for the on-peak, shoulder, or off-peak periods in which the kWh were generated by the customer.

Proposed Monthly Minimum kWh Charge

In its September 4, 2009 filing, Sulphur Springs had included a Monthly Service Availability Charge to recover fixed costs that are normally recovered in the variable kWh rate. However, in its December 16, 2009 amendment, Sulphur Springs' deleted the Monthly Service Availability Charge from the proposed Net Metering Tariff.

In place of the Monthly Service Availability Charge, Sulphur Springs now proposes a Monthly Minimum kWh Charge, in addition to the charges billed under the standard rate schedules, to address its concern about recovery of fixed costs and to prevent subsidization of Net Metering customers by other customers. The proposed Monthly Minimum kWh Charge would vary by rate schedule, as shown in Table 1, and is based on the difference between the monthly service charge on the standard rate schedules and the total fixed costs shown in the Co-op's 2008 Cost of Service Study. If a Net Metering customer would pay less than the amount listed in the table for kWh purchased from Sulphur Springs, a charge would be added to the bill to make up the difference.

Table 1
Monthly Minimum kWh Charge

Residential	\$15.06
Commercial	\$28.28
Large Power	\$128.89
Irrigation	\$332.84
General Service Time-of-Use	\$94.97
Large Power Time-of-Use	\$180.27
Large Power Industrial	\$372.01
RV Parks	\$118.15

Staff's analysis indicates that for a residential Net Metering customer, the additional charge would range from \$0.0 to \$15.06 per month depending on the amount of energy purchased from the Co-op. The Minimum Monthly kWh Charge for residential Net Metering customers of \$15.06 plus the standard monthly customer charge of \$8.25 would equal \$23.31, which is the level of fixed costs shown in Sulphur Springs' 2008 cost of service study, and currently recovered through both the customer charge and the energy charge.

Table 2 shows how the proposed Minimum Monthly kWh Charge would vary with energy purchased by the residential net metering customer. All classes of Net Metering customers would have a similarly determined charge.

Table 2
SSVEC Residential Net Metering Monthly Customer Charge

1	Standard Customer Charge	\$8.25	\$8.25	\$8.25	\$8.25	\$8.25	\$8.25
2	kWh Purchased from SSVEC	0	50	100	123.75	150	200
3	Energy Charge (\$0.1217/kWh)	\$0.00	\$6.09	\$12.17	\$15.06	\$18.26	\$24.34
4	Monthly Minimum kWh Charge (\$15.06-line 3, but not<0)	\$15.06	\$8.98	\$2.89	\$0.00	\$0.00	\$0.00
5	Total Monthly Charge (lines 1+4)	\$23.31	\$17.23	\$11.14	\$8.25	\$8.25	\$8.25

Staff recommends that the Monthly Minimum kWh Charge not be approved at this time. Staff believes that it is more appropriate for the Commission to address unrecovered fixed costs resulting from a Commission-approved Net Metering Tariff within the context of a rate case if requested to do so by the utility, and the utility provides documentation/records supporting its request in the rate application.

Proposed Metering Charge

Sulphur Springs would install a bi-directional meter at the point of delivery to the customer. Time-of use customers would require two meters. In its September 4, 2009, filing, Sulphur Springs had stated in its proposed tariff that the customer would pay the incremental cost of the meter as a one-time charge. However, Sulphur Springs' December 16, 2009 amendment revised the tariff to state that the initial incremental metering costs would be incurred by the Co-op and recovered from the net metering customer in a monthly charge. SSVEC says the additional cost for a meter capable of meeting the Net Metering requirements that are compatible with Sulphur Springs' Automated Meter Reading system is \$300.00 and would be collected via a monthly meter charge set at \$2.70 per month per meter. This amortization assumes an incremental meter cost of \$300, cost of money at 7%, and a 15-year life. The meter cost and charge would be updated and submitted to Staff no less than every two years. Staff recommends that the meter charge be set at \$2.70 per month per meter, and that the charge not be modified without Commission approval.

Proposed Avoided Cost

Each September (or for a customer's final bill upon discontinuance of service), SSVEC would credit the Customer for the balance of excess kWh remaining. The payment for the purchase of these excess kWh would be at the Co-op's annual average avoided cost. SSVEC's annual average avoided cost would be defined as the average wholesale fuel and energy cost per

kWh charged by the Co-op's wholesale power supplier(s) during the previous 12 months calculated with the receipt of the July wholesale power bills. This cost would be updated each September 1. SSVEC has indicated that the current avoided cost is 4.91¢ per kWh. Since R14-2-2306(F) requires the avoided cost to be specified on the net metering tariff, Staff recommends that SSVEC specify this avoided cost rate of 4.91¢ per kWh in its tariff.

Fair Value Considerations for Charges to be contained in Schedule NM

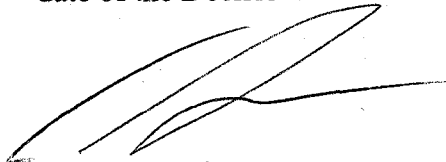
Staff has recommended that the Co-op should recover from each net metering customer the costs of certain equipment related to providing net metering service.

Staff has considered the proposed equipment charge in terms of fair value implications. In Decision No. 71274, issued on September 8, 2009, the Commission determined the fair value of Sulphur Springs' property to be \$132,866,202. Although Staff considered this information, the proposed equipment charge on Schedule NM would have no significant impact on the Company's revenue, fair value rate base, or rate of return, because this charge is cost-based and relatively limited in scope.

Staff Recommendations

Staff recommends that Sulphur Springs's Net Metering Tariff Schedule NM be approved by the Commission as discussed herein.

Staff also recommends that Sulphur Springs be ordered to file a revised Net Metering Tariff Schedule NM in compliance with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:tdp\WVC

ORIGINATOR: Jeffrey Pasquinelli

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF SULPHUR SPRINGS
VALLEY ELECTRIC COOPERATIVE,
INC.'S APPLICATION FOR APPROVAL OF
A NET METERING TARIFF.

DOCKET NO. E-01575A-09-0429

DECISION NO. _____

ORDER

Open Meeting
January 12 and 13, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur Springs," "SSVEC," or "Co-op") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On September 4, 2009, Sulphur Springs filed an application for approval of a Net Metering Tariff along with its proposed 2010 REST Implementation Plan. Sulphur Springs amended its Net Metering Tariff filing on December 16, 2009. SSVEC's proposed Schedule NM is meant to comply with the Net Metering Rules which became effective May 23, 2009.

3. Net Metering allows electric utility consumers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power (i.e., co-generation).

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1 **Proposed Tariff**

2 4. Sulphur Springs' proposed tariff would apply to customers with any type of on-site
3 generation using resources allowed by the Net Metering Rules, and would work in conjunction
4 with the rate schedule from which the customer currently takes service. The proposed tariff
5 follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of
6 excess customer generation.

7 5. Partial requirements service is necessary for customers such as Net Metering
8 customers who provide either all or a portion of their own generation. If the self-generation
9 supplies less than 100% of the customer's load, utility generation must be purchased for the
10 remainder. Even if the customer's generation is sufficient to serve the full load, utility service is
11 needed as back-up during maintenance or other outage circumstances of the customer's generation.

12 6. Sulphur Springs' Schedule NM would provide for power sales beyond what the
13 customer's on-site facilities supply, as well as replacement power if the customer's facilities are
14 not operating. Charges under the tariff would be priced pursuant to the customer's standard rate
15 schedule otherwise applicable under full requirements service and thus avoid standby or back-up
16 charges. Certain additional charges would be added as discussed below.

17 7. As the Rules require, if the customer's energy production exceeds the energy
18 supplied by the Co-op during a billing period, the customer's bill for subsequent billing periods
19 would be credited for the excess generation. That is, the excess kWh during the billing period
20 would be used to reduce the kWh (not kW or kVA demand, or customer/facilities charges) billed
21 by the Co-op during subsequent billing periods. Customers taking service under a time-of-use rate
22 would receive such credit in the subsequent billing period for the on-peak, shoulder, or off-peak
23 periods in which the kWh were generated by the customer.

24 **Proposed Monthly Minimum kWh Charge**

25 8. In its September 4, 2009 filing, Sulphur Springs had included a Monthly Service
26 Availability Charge to recover fixed costs that are normally recovered in the variable kWh rate.
27 However, in its December 16, 2009 amendment, Sulphur Springs' deleted the Monthly Service
28 Availability Charge from the proposed Net Metering Tariff.

9. In place of the Monthly Service Availability Charge, Sulphur Springs now proposes a Monthly Minimum kWh Charge, in addition to the charges billed under the standard rate schedules, to address its concern about recovery of fixed costs and to prevent subsidization of Net Metering customers by other customers. The proposed Monthly Minimum kWh Charge would vary by rate schedule, as shown in Table 1, and is based on the difference between the monthly service charge on the standard rate schedules and the total fixed costs shown in the Co-op's 2008 Cost of Service Study. If a Net Metering customer would pay less than the amount listed in the table for kWh purchased from Sulphur Springs, a charge would be added to the bill to make up the difference.

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10. Staff's analysis indicates that for a residential Net Metering customer, the additional charge would range from \$0.0 to \$15.06 per month depending on the amount of energy purchased from the Co-op. The Minimum Monthly kWh Charge for residential Net Metering customers of \$15.06 plus the standard monthly customer charge of \$8.25 would equal \$23.31, which is the level of fixed costs shown in Sulphur Springs' 2008 cost of service study, and currently recovered through both the customer charge and the energy charge.

11. Table 2 shows how the proposed Minimum Monthly kWh Charge would vary with energy purchased by the residential net metering customer. All classes of Net Metering customers would have a similarly determined charge.

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5	Total Monthly Charge (lines 1+4)	\$23.31	\$17.23	\$11.14	\$8.25	\$8.25	\$8.25

12. Staff has recommended that the Monthly Minimum kWh Charge not be approved at this time. Staff believes that it is more appropriate for the Commission to address unrecovered fixed costs resulting from a Commission-approved Net Metering Tariff within the context of a rate case if requested to do so by the utility and the utility provides documentation/records supporting its request in the rate application.

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Proposed Avoided Cost

14. Each September (or for a customer's final bill upon discontinuance of service), SSVEC would credit the Customer for the balance of excess kWh remaining. The payment for the purchase of these excess kWh would be at the Co-op's annual average avoided cost. SSVEC's annual average avoided cost would be defined as the average wholesale fuel and energy cost per kWh charged by the Co-op's wholesale power supplier(s) during the previous 12 months calculated with the receipt of the July wholesale power bills. This cost would be updated each September 1. SSVEC has indicated that the current avoided cost is 4.91¢ per kWh. Since R14-2-2306(F) requires the avoided cost to be specified on the net metering tariff, Staff has recommended that SSVEC specify this avoided cost rate of 4.91¢ per kWh in its tariff.

Fair Value Considerations for Charges to be contained in Schedule NM

15. Staff has recommended that the Co-op should recover from each net metering customer the costs of certain equipment related to providing net metering service.

16. Staff has considered the proposed equipment charge in terms of fair value implications. In Decision No. 71274, issued on September 8, 2009, the Commission determined the fair value of Sulphur Springs' property to be \$132,866,202. Although Staff considered this information, the proposed equipment charge on Schedule NM would have no significant impact on the Company's revenue, fair value rate base, or rate of return, because this charge is cost-based and relatively limited in scope.

Staff Recommendations

17. Staff has recommended that Sulphur Springs' Net Metering Tariff Schedule NM be approved by the Commission as discussed herein.

18. Staff has also recommended that Sulphur Springs be ordered to file a revised Net Metering Tariff Schedule NM in compliance with the Decision in this case within 15 days of the effective date of the Decision.

CONCLUSIONS OF LAW

1. Sulphur Springs is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

1 2. The Commission has jurisdiction over Sulphur Springs and over the subject matter
2 of the application.

3 3. Approval of Schedule NM does not constitute a rate increase as contemplated by
4 A.R.S. Section 40-250.

5 4. The Commission, having reviewed the application and Staff's Memorandum dated
6 January 5, 2010, concludes that Schedule NM should be approved as discussed herein.

7 ORDER

8 IT IS THEREFORE ORDERED that Sulphur Springs Valley Electric Cooperative's Net
9 Metering Tariff Schedule NM be and hereby is approved as discussed herein.

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1 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative shall file a
2 revised Net Metering Tariff Schedule NM in compliance with this Decision within 15 days of the
3 effective date of the Decision.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 _____
CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

12
13 IN WITNESS WHEREOF, I, Ernest G. Johnson, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2010.

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ERNEST G. JOHNSON
19 EXECUTIVE DIRECTOR

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21 DISSENT: _____

22 DISSENT: _____

23 SMO:JJP:tdp\WVC
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1 SERVICE LIST FOR SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.:
2 DOCKET NO. E-01575A-09-0429

3 Mr. Jack Blair
4 Chief Member Services Officer
5 Sulphur Springs Valley Electric Cooperative, Inc.
6 311 East Wilcox
7 Sierra Vista, Arizona 85635

8 Mr. James F. Rowley III
9 HC 1 Box 259
10 Elgin, Arizona 85611-9715

11 Mr. Sean M. Seitz
12 President
13 American Solar Electric, Inc.
14 1475 N. Scottsdale Road, Suite 410
15 Scottsdale, Arizona 85257

16 Mr. Steve M. Olea
17 Director, Utilities Division
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 Ms. Janice M. Alward
22 Chief Counsel, Legal Division
23 Arizona Corporation Commission
24 1200 West Washington Street
25 Phoenix, Arizona 85007